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<sup>(1)</sup> Text with EEA relevance.

## I

(Resolutions, recommendations and opinions)

## OPINIONS

## EUROPEAN CENTRAL BANK

## OPINION OF THE EUROPEAN CENTRAL BANK

of 12 July 2018

on a proposal for a regulation on minimum loss coverage for non-performing exposures

(CON/2018/32)

(2019/C 79/01)

**Introduction and legal basis**

On 20 and 24 April 2018 the European Central Bank (ECB) received requests from the European Parliament and the Council of the European Union, respectively, for an opinion on a proposal for a regulation of the European Parliament and of the Council on amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures <sup>(1)</sup> (hereinafter the 'proposed regulation').

The ECB's competence to deliver an opinion is based on the first indent of Article 127(4) and Article 282(5) of the Treaty on the Functioning of the European Union since the proposed regulation contains provisions falling within the ECB's fields of competence, including the tasks of the European System of Central Banks to contribute to the smooth conduct of policies pursued by the competent authorities relating to the stability of the financial system, as referred to in Article 127(5) of the Treaty and the tasks conferred upon the ECB pursuant to Article 127(6) of the Treaty concerning policies relating to the prudential supervision of credit institutions. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

**1. General observations**

The ECB supports the proposed regulation, which is part of the European Commission's package of measures to deal with non-performing exposures (NPEs) in the Union. These measures came about following the adoption of the comprehensive 'Action Plan To Tackle Non-Performing Loans in Europe' <sup>(2)</sup>, endorsed by the Council on 11 July 2017. The proposed regulation is expected to address the possible risks arising from the build-up of insufficiently provisioned NPEs in the future. The proposed regulation is also an important part of the Union's efforts to further reduce risks in the banking system. For a number of reasons, addressing high levels of NPEs has been one of the ECB's supervisory priorities from the inception of the Single Supervisory Mechanism <sup>(3)</sup>. First, NPEs weigh on the balance sheets of banks, curbing their profits. Second, NPEs are distracting for banks, and represent a drain on banks' resources. Third, NPEs undermine investors' confidence in banks. In addition, internal ECB analysis shows that, over recent years, banks with high stocks of NPEs have consistently lent less than banks with better credit quality, therefore providing less support to firms and households and the economy generally <sup>(4)</sup>. Further, high stocks of NPEs are a macroprudential issue and often affect entire economies.

<sup>(1)</sup> COM(2018) 134 final.

<sup>(2)</sup> Available on the Council's website at [www.consilium.europa.eu](http://www.consilium.europa.eu).

<sup>(3)</sup> See the speech by Danièle Nouy, Chair of the Supervisory Board of the ECB, and Sharon Donnery, Chair of the ECB's High Level Group on non-performing loans, 'Introductory remarks to the public hearing on the draft addendum to the ECB guidance to banks on non-performing loans', Frankfurt am Main, 30 November 2017, available on the ECB's Banking Supervision website at [www.bankingsupervision.europa.eu](http://www.bankingsupervision.europa.eu).

<sup>(4)</sup> See 'European banking supervision three years on,' Welcome remarks by Mario Draghi, President of the ECB, at the second ECB Forum on Banking Supervision, Frankfurt am Main, 7 November 2017, available on the ECB's website at [www.ecb.europa.eu](http://www.ecb.europa.eu).

It is noted that the proposed regulation will not affect NPEs originated by credit institutions before 14 March 2018 and therefore, consistent with the European Council conclusions on the 'Action Plan to Tackle Non-Performing Loans in Europe', it does not address existing stocks of NPEs.

The ECB welcomes the clarification in the proposed regulation that the prudential backstop for NPEs, which is established by the proposed regulation, does not prevent competent authorities from exercising their supervisory powers in accordance with applicable law. More specifically, despite the application of this prudential backstop, the ECB may, on a case-by-case basis, determine that the NPEs of a specific credit institution are not sufficiently covered and use its supervisory powers under the Pillar 2 framework <sup>(5)</sup>.

## 2. Specific observations

### 2.1. Definition of an NPE

For the purposes of the minimum loss coverage, the proposed regulation introduces the definition of an NPE into Regulation (EU) No 575/2013 of the European Parliament and of the Council <sup>(6)</sup>. This definition is based on the concept of an NPE set out in Commission Implementing Regulation (EU) No 680/2014 <sup>(7)</sup>, which is applied for supervisory reporting purposes. In this respect, the ECB welcomes the fact that this definition of an NPE includes all types of NPEs, in particular retail exposures.

### 2.2. Calculation of the minimum coverage requirement

The ECB welcomes the simplicity of the minimum coverage requirement which, in principle, is based on the number of years that have passed since an exposure was classified as non-performing and whether it was a secured exposure. Such simplicity will keep the compliance efforts for banks and supervisors manageable, while still firmly addressing the issue of uncovered NPEs in a fair and balanced manner.

In order to determine the applicable amount of insufficient coverage for NPEs to be deducted from Common Equity Tier 1 items, institutions are required to multiply their NPEs by the applicable factor specified in the proposed regulation. The ECB supports the calibration of the applicable factors under the proposed regulation. In particular, there is 100 % percent coverage for an unsecured NPE to be applied from the first day of the second (presumably intended to refer to the third) year. For a secured NPE, there is 100 % coverage from the first day of the eighth (presumably intended to refer to the ninth) year following a non-performing classification, where the obligor is past due more than 90 days.

Regarding secured exposures, credit institutions should be able to realise their credit protection in a 'timely manner' <sup>(8)</sup>. If collateral has not been realised after a period of several years from the date when the underlying exposure was classified as non-performing, it is reasonable to consider the collateral ineffective and treat the exposure as unsecured from a prudential perspective.

### 2.3. Supervisory reporting requirements

The ECB understands that the relevant supervisory reporting requirements specified under Implementing Regulation (EU) No 680/2014 will be amended to the effect that competent authorities will be able to monitor institutions' compliance with the proposed regulation. Furthermore, the ECB invites the Commission to consider whether a disclosure requirement with regard to institutions' compliance with the minimum coverage requirement should be introduced in Regulation (EU) No 575/2013.

<sup>(5)</sup> Article 9(1) of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63) states that: 'For the exclusive purpose of carrying out the tasks conferred on it by Articles 4(1), 4(2) and 5(2), the ECB shall be considered, as appropriate, the competent authority or the designated authority in the participating Member States as established by the relevant Union law.' In this context, see Articles 97 and 104 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338) and Article 16 of Regulation (EU) No 1024/2013.

<sup>(6)</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>(7)</sup> Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).

<sup>(8)</sup> See, for example, Article 194(4) of Regulation (EU) No 575/2013.

#### 2.4. Consultation of the ECB

The ECB would like to remind the Parliament and the Council that another consultation will be necessary if the proposed regulation is substantially amended during the legislative procedure, as compared to the version on which the ECB was consulted <sup>(9)</sup>.

Where the ECB recommends that the proposed regulation is amended, specific drafting proposals are set out in a separate technical working document accompanied by an explanatory text to this effect. The technical working document is available in English on the ECB's website.

Done at Frankfurt am Main, 12 July 2018.

*The President of the ECB*

Mario DRAGHI

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<sup>(9)</sup> See, e.g. Judgment of the Court of Justice of 15 July 1970, *ACF Chemiefarma v Commission*, Case 41/69, ECLI:EU:C:1970:71, paragraph 3; Judgment of the Court of Justice of 4 February 1982, *Buyl v Commission*, Case 817/79, ECLI:EU:C:1982:36, paragraph 1; Opinion of Advocate General Fennelly of 20 March 1997, *Parliament v Council*, C-392/95, ECLI:EU:C:1997:172, paragraph 15; Judgment of the Court of Justice of 11 November 1997, *Eurotunnel SA and Others v Seafrance*, C-408/95, ECLI:EU:C:1997:532, paragraph 46; Judgment of the Court of Justice of 25 September 2003, *Océ van der Grinten*, C-58/01, ECLI:EU:C:2003:495, paragraphs 100 and 102.

## II

*(Information)*INFORMATION FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES  
AND AGENCIES

## EUROPEAN COMMISSION

**Non-opposition to a notified concentration****(Case M.9256 — Engie/Michelin/Région AURA/CDC/Hympulsion)****(Text with EEA relevance)**

(2019/C 79/02)

On 21 February 2019, the Commission decided not to oppose the above notified concentration and to declare it compatible with the internal market. This decision is based on Article 6(1)(b) of Council Regulation (EC) No 139/2004 <sup>(1)</sup>. The full text of the decision is available only in French and will be made public after it is cleared of any business secrets it may contain. It will be available:

- in the merger section of the Competition website of the Commission (<http://ec.europa.eu/competition/mergers/cases/>). This website provides various facilities to help locate individual merger decisions, including company, case number, date and sectoral indexes,
- in electronic form on the EUR-Lex website (<http://eur-lex.europa.eu/homepage.html?locale=en>) under document number 32019M9256. EUR-Lex is the online access to European law.

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<sup>(1)</sup> OJ L 24, 29.1.2004, p. 1.

## IV

(Notices)

## NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

## EUROPEAN COMMISSION

**Interest rate applied by the European Central Bank to its main refinancing operations <sup>(1)</sup>:****0,00 % on 1 March 2019****Euro exchange rates <sup>(2)</sup>****1 March 2019**

(2019/C 79/03)

**1 euro =**

Currency	Exchange rate	Currency	Exchange rate		
USD	US dollar	1,1383	CAD	Canadian dollar	1,4971
JPY	Japanese yen	127,35	HKD	Hong Kong dollar	8,9344
DKK	Danish krone	7,4613	NZD	New Zealand dollar	1,6656
GBP	Pound sterling	0,85968	SGD	Singapore dollar	1,5396
SEK	Swedish krona	10,5003	KRW	South Korean won	1 282,12
CHF	Swiss franc	1,1363	ZAR	South African rand	16,1426
ISK	Iceland króna	135,90	CNY	Chinese yuan renminbi	7,6332
NOK	Norwegian krone	9,7268	HRK	Croatian kuna	7,4320
BGN	Bulgarian lev	1,9558	IDR	Indonesian rupiah	16 067,00
CZK	Czech koruna	25,636	MYR	Malaysian ringgit	4,6374
HUF	Hungarian forint	316,06	PHP	Philippine peso	58,986
PLN	Polish zloty	4,3096	RUB	Russian rouble	74,9928
RON	Romanian leu	4,7431	THB	Thai baht	36,113
TRY	Turkish lira	6,1230	BRL	Brazilian real	4,3037
AUD	Australian dollar	1,6000	MXN	Mexican peso	21,9940
			INR	Indian rupee	80,6950

<sup>(1)</sup> Rate applied to the most recent operation carried out before the indicated day. In the case of a variable rate tender, the interest rate is the marginal rate.

<sup>(2)</sup> Source: reference exchange rate published by the ECB.

**ADMINISTRATIVE COMMISSION OF THE EUROPEAN COMMUNITIES ON SOCIAL SECURITY  
FOR MIGRANT WORKERS**

**Rates for conversion of currencies pursuant to Council Regulation (EEC) No 574/72**

(2019/C 79/04)

Article 107(1), (2) and (4) of Regulation (EEC) No 574/72

Reference period: January 2019

Application period: April, May and June 2019

Jan-19	EUR	BGN	CZK	DKK	HRK	HUF	PLN
1 EUR =	1	1,95580	25,6533	7,46580	7,42785	319,852	4,29202
1 BGN =	0,511300	1	13,1165	3,81726	3,79786	163,540	2,19451
1 CZK =	0,0389813	0,0762397	1	0,291027	0,289548	12,4682	0,167309
1 DKK =	0,133944	0,261968	3,43611	1	0,99492	42,8422	0,574891
1 HRK =	0,134628	0,263306	3,45366	1,005109	1	43,0611	0,577828
1 HUF =	0,00312645	0,00611471	0,0802037	0,023341	0,0232228	1	0,0134188
1 PLN =	0,232990	0,455683	5,97697	1,73946	1,73062	74,5224	1
1 RON =	0,212570	0,415745	5,45313	1,58701	1,57894	67,9910	0,912356
1 SEK =	0,097390	0,190476	2,49839	0,727098	0,723402	31,1505	0,418002
1 GBP =	1,12816	2,20646	28,9410	8,42262	8,3798	360,844	4,84209
1 NOK =	0,102342	0,200161	2,62541	0,764066	0,760181	32,7343	0,439254
1 ISK =	0,00732554	0,0143273	0,187924	0,0546911	0,0544130	2,34309	0,031441
1 CHF =	0,885286	1,73144	22,7105	6,60937	6,57577	283,160	3,79967

Jan-19	RON	SEK	GBP	NOK	ISK	CHF
1 EUR =	4,70433	10,26794	0,886399	9,77116	136,509	1,12958
1 BGN =	2,40532	5,25000	0,453216	4,99599	69,7969	0,577553
1 CZK =	0,183381	0,400258	0,034553	0,380893	5,32129	0,0440325
1 DKK =	0,630116	1,37533	0,118728	1,30879	18,2845	0,151300
1 HRK =	0,633336	1,38236	0,1193345	1,31548	18,3779	0,152073
1 HUF =	0,0147078	0,0321022	0,00277128	0,0305490	0,426787	0,00353157
1 PLN =	1,096063	2,39233	0,206523	2,27659	31,8052	0,263181
1 RON =	1	2,18266	0,188422	2,07706	29,0177	0,240115
1 SEK =	0,458157	1	0,0863268	0,95162	13,2946	0,110010
1 GBP =	5,30723	11,5839	1	11,0234	154,004	1,27434
1 NOK =	0,481450	1,050842	0,0907159	1	13,9706	0,115603
1 ISK =	0,034462	0,075218	0,00649335	0,0715790	1	0,00827477
1 CHF =	4,16467	9,09007	0,784717	8,65027	120,849	1

Note: all cross rates involving ISK are calculated using ISK/EUR rate data from the Central Bank of Iceland



reference: Jan-19	1 EUR in national currency	1 unit of N.C. in EUR
BGN	1,95580	0,511300
CZK	25,6533	0,0389813
DKK	7,46580	0,133944
HRK	7,42785	0,134628
HUF	319,852	0,00312645
PLN	4,29202	0,232990
RON	4,70433	0,212570
SEK	10,26794	0,097390
GBP	0,886399	1,12816
NOK	9,77116	0,102342
ISK	136,509	0,00732554
CHF	1,12958	0,885286

Note: ISK/EUR rates based on data from the Central Bank of Iceland

1. Regulation (EEC) No 574/72 determines that the rate for the conversion into a currency of amounts denominated in another currency shall be the rate calculated by the Commission and based on the monthly average, during the reference period specified in paragraph 2, of reference rates of exchange of currencies published by the European Central Bank.

2. The reference period shall be:

- the month of January for rates of conversion applicable from 1 April following,
- the month of April for rates of conversion applicable from 1 July following,
- the month of July for rates of conversion applicable from 1 October following,
- the month of October for rates of conversion applicable from 1 January following.

The rates for the conversion of currencies shall be published in the second *Official Journal of the European Union* (C series) of the months of February, May, August and November.

## V

(Announcements)

PROCEDURES RELATING TO THE IMPLEMENTATION OF COMPETITION  
POLICY

EUROPEAN COMMISSION

**Prior notification of a concentration**

**(Case M.9285 — SEGRO/PSPIB/Oignies Site)**

**Candidate case for simplified procedure**

**(Text with EEA relevance)**

(2019/C 79/05)

1. On 25 February 2019, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 <sup>(1)</sup>.

This notification concerns the following undertakings:

- SEGRO plc ('SEGRO', United Kingdom),
- Public Sector Pension Investment Board ('PSPIB', Canada),
- Oignies Site (France).

SEGRO and PSPIB acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control of the whole of the Oignies Site.

The concentration is accomplished by way of purchase of assets.

2. The business activities of the undertakings concerned are:

- for SEGRO: ownership, asset management and development of modern warehousing and light industrial properties located around major conurbations and at key transportation hubs across a number of EU countries,
- for PSPIB: investment of net contributions to the pension funds of the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force. It manages a diversified global portfolio including stocks, bonds and other fixed-income securities, and investments in private equity, real estate, infrastructure, natural resources and private debt,
- for the Oignies Site: a warehouse with an area of 34 393m<sup>2</sup> in Oignies (20 km south of Lille, France), constructed in 2010 and let to Condi Services, one of the third-party logistics providers for Leroy Merlin's e-commerce logistics.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of the Merger Regulation. However, the final decision on this point is reserved.

Pursuant to the Commission Notice on a simplified procedure for treatment of certain concentrations under the Council Regulation (EC) No 139/2004 <sup>(2)</sup> it should be noted that this case is a candidate for treatment under the procedure set out in the Notice.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

<sup>(1)</sup> OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation').

<sup>(2)</sup> OJ C 366, 14.12.2013, p. 5.

Observations must reach the Commission not later than 10 days following the date of this publication. The following reference should always be specified:

M.9285 — SEGRO/PSPIB/Oignies Site

Observations can be sent to the Commission by email, by fax, or by post. Please use the contact details below:

Email: COMP-MERGER-REGISTRY@ec.europa.eu

Fax +32 22964301

Postal address:

European Commission  
Directorate-General for Competition  
Merger Registry  
1049 Bruxelles/Brussel  
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**Prior notification of a concentration**  
**(Case M.9286 — SEGRO/PSPIB/Wroclaw Site)**  
**Candidate case for simplified procedure**  
**(Text with EEA relevance)**  
(2019/C 79/06)

1. On 25 February 2019, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 <sup>(1)</sup>.

This notification concerns the following undertakings:

- SEGRO plc ('SEGRO', United Kingdom),
- Public Sector Pension Investment Board ('PSPIB', Canada).

SEGRO and PSPIB acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control of the whole of the Wroclaw Site.

The concentration is accomplished by way of purchase of assets.

2. The business activities of the undertakings concerned are:

- for SEGRO: ownership, asset management and development of modern warehousing and light industrial properties located around major conurbations and at key transportation hubs across a number of EU countries,
- for PSPIB: investment of net contributions to the pension funds of the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force. It manages a diversified global portfolio including stocks, bonds and other fixed-income securities, and investments in private equity, real estate, infrastructure, natural resources and private debt,
- for the Wroclaw Site: a partly pre-let warehouse located in Wroclaw, Poland, which is currently under development.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of the Merger Regulation. However, the final decision on this point is reserved.

Pursuant to the Commission Notice on a simplified procedure for treatment of certain concentrations under the Council Regulation (EC) No 139/2004 <sup>(2)</sup> it should be noted that this case is a candidate for treatment under the procedure set out in the Notice.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

Observations must reach the Commission not later than 10 days following the date of this publication. The following reference should always be specified:

M.9286 — SEGRO/PSPIB/Wroclaw Site

Observations can be sent to the Commission by email, by fax, or by post. Please use the contact details below:

Email: COMP-MERGER-REGISTRY@ec.europa.eu

Fax +32 22964301

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European Commission  
Directorate-General for Competition  
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<sup>(1)</sup> OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation').

<sup>(2)</sup> OJ C 366, 14.12.2013, p. 5.







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